

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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NOV 5 1996

Federal Communications Commission  
Office of Secretary

In the Matter of )  
 )  
Policy and Rules Concerning the ) CC Docket No. 96-61  
Interstate, Interexchange Marketplace )  
 )  
Implementation of Section 254(g) of the )  
Communications Act of 1934, as amended )

**REPLY COMMENTS OF BELL ATLANTIC<sup>1</sup>**

In its petition for reconsideration and clarification, GTE requests that rate averaging and rate integration rules not be extended to include a parent company that is not a carrier and does not *provide* telecommunications services.<sup>2</sup> The opposition filed by AT&T argues that, not only should the Commission deny the GTE petition, but it should also extend the reach of its rules to require that rates be averaged even between distinct services -- *i.e.* one affiliate's unlimited long distance service and another affiliate's corridor-only service.<sup>3</sup> But extending the averaging

<sup>1</sup> This filing is on behalf of Bell Atlantic Communications, Inc. and the Bell Atlantic telephone companies ("Bell Atlantic"), which are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

<sup>2</sup> GTE Service Corporation Petition for Reconsideration and Clarification (filed Sept. 16, 1996).

<sup>3</sup> In its Opposition, AT&T argues that rate averaging rules apply regardless of corporate affiliates established for "regulatory" reasons. AT&T Opposition to Petitions for Reconsideration and Clarification at 2 (filed Oct. 21, 1996). In a separate petition, AT&T elaborates on the impact of its arguments here and claims that the rate averaging and integration rules should apply across different services: generally available long distance service offered by a separated affiliate and narrowly limited corridor service offered by a local carrier. *See AT&T Petition for Waiver of Section 64.1701 of the Commission's Rules*, CCB/CPD Docket No. 96-26, Petition at 6 (filed Oct. 23, 1996).

requirement to such dissimilar services simply makes no economic sense, is contrary to the policies that underlies the averaging requirement, and is harmful to consumers. Regardless of how it rules on GTE's petition, the Commission should reject AT&T's arguments and should instead clarify that corridor is a distinct service that is under no obligation to coordinate its rate levels with those of generic long distance service offered by an affiliate.

Corridor service was originally provided under a limited exception to the AT&T consent decree's restrictions on the ability of the Bell operating companies to provide interLATA service, and is subject to sharply constrained service parameters. The corridors were created "to continue [local carriers'] long-standing interstate service arrangement in two areas: (1) between New York City and Northern New Jersey; and (2) between Philadelphia and Camden, New Jersey."<sup>4</sup> By definition, the service must be limited in geographic scope, and unlike long distance service reaches only "a tiny fraction of the available profitable routes in the country."<sup>5</sup> Indeed, corridor service must originate at one end of a limited pre-defined geographic corridor and must terminate at the other end.

Because of these constraints, corridor is a unique service. In contrast to the corridor service offered by Bell Atlantic's operating telephone companies, the generic long distance services provided by Bell Atlantic's long distance affiliate, Bell Atlantic Communications, Inc. ("BACI"), like the services of other long distance providers, offer connection to any point in the country and beyond. Other than corridor, no Bell Atlantic affiliate offers a direct trunked switched interLATA service with narrowly-constrained geographic coverage. Thus, even if

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<sup>4</sup> *United States v. Western Electric Co.*, 569 F. Supp. 990, 1002, n. 54 (D.D.C. 1983).

<sup>5</sup> *Id.* at 1023.

corridor service was offered by a single provider, there is no equivalent service with which to average corridor rates.

Not surprisingly, the more limited corridor service has been priced lower than generic long distance service.<sup>6</sup> Contrary to AT&T's argument, this price difference violates no rules and in fact was intended by regulators that sought to have consumers benefit from the particular cost efficiencies associated with the network in the limited area of allowed service.<sup>7</sup> Congress recognized the continued importance of this unique service by including a provision in the 1996 Act that grandfathered the exception into the new law, and thereby allowed corridor service to continue without the limitations placed on other in-region interLATA services.<sup>8</sup> Ironically, if the Commission were to require corridor service to be priced at the same rates as the generic long distance services offered by another Bell Atlantic affiliate, consumers could lose the benefit of the lower prices that the corridor exception was created to provide.

The Commission has continued to treat corridor differently from generic long distance service. For its out-of-region long distance services, BACI is a nondominant carrier with no price regulation and soon to be without tariffs. In contrast, corridor is a tariffed service that is

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<sup>6</sup> *See Petition to Regulate Bell Atlantic as a Nondominant Provider of Interstate InterLATA Corridor Service* ("Corridor Petition"), DA Docket No. 95-1666, Declaration of Robin A. Lewis-Ivy at ¶ 8 (filed July 7, 1995).

<sup>7</sup> *See United States v. Western Electric Co.* at 1018, n. 142 (Court recognized that denying service in the corridors would require consumers to "relinquish an efficient, convenient service" while at the same time pay for "particularly huge rearrangement costs.")

<sup>8</sup> 47 U.S.C. § 271(f).

currently under LEC price cap rules.<sup>9</sup> Indeed, given current rate regulation, Bell Atlantic could not lawfully raise corridor rates to bring them into alignment with BACI's basic service rates.<sup>10</sup>

The Commission need not worry about how to reconcile this or other regulatory conflicts.<sup>11</sup> Because corridor is a distinct service, the Commission need only clarify there is no rate integration or averaging requirement that would force corridor service to coordinate rates with the different generic long distance service offered by an affiliate.

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<sup>9</sup> Bell Atlantic has a long-standing petition pending to remove corridor service from price regulation. *See* Corridor Petition. Approval of that petition would not change the fundamental difference between corridor and more generic long distance services.

<sup>10</sup> *See* 47 C.F.R. §§ 61.42(d)(4), 61.49; Bell Atlantic Transmittal No. 777 (filed May 9, 1995).

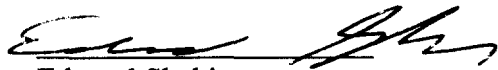
<sup>11</sup> Any attempt by Bell Atlantic to coordinate rates between BACI and local companies' corridor service could run afoul of the separation rules imposed on BACI by the Commission and the Act. *See* 47 U.S.C. § 272; *see also Bell Operating Company Provision of Out-of-Region Interstate, Interexchange Services*, CC Docket No. 96-21, Report and Order, ¶ 19 (rel. July 1, 1996).

### **Conclusion**

Regardless of how it rules on GTE's petition for reconsideration, at a minimum the Commission should clarify that its rules do not impose a rate averaging requirement between corridor service and more generic interLATA services.

Respectfully submitted,

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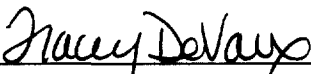
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CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of November, 1996 a copy of the foregoing "Reply Comments of Bell Atlantic" was sent by first class mail, postage prepaid, to the parties on the attached list.

  
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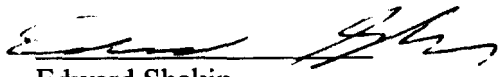
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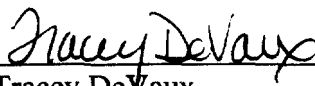
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